

Bell Atlantic Network Services, Inc.  
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Marie T. Breslin  
Director  
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JAN 18 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

January 18, 1994

**EX PARTE**

Mr. William Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 93-292, Policies and Rules Concerning Toll  
Fraud

On January 14, 1994, Bell Atlantic conducted a tour of its Toll Fraud Prevention Center for members of the Common Carrier Bureau. The FCC attendees were Marion Gordon, Kurt Schroeder, Tom David, Mike Ferrante and Dan Abeyta. Bell Atlantic was represented by Mary Chacantias, Ellen White, Kay Elliott, David Fratkin, John Hundertmark and the undersigned.

Copies of the presentations made during the tour are attached. This filing is being made one day late due to the late hour at which the tour concluded. Please include this information as part of the public record in the above captioned proceeding.

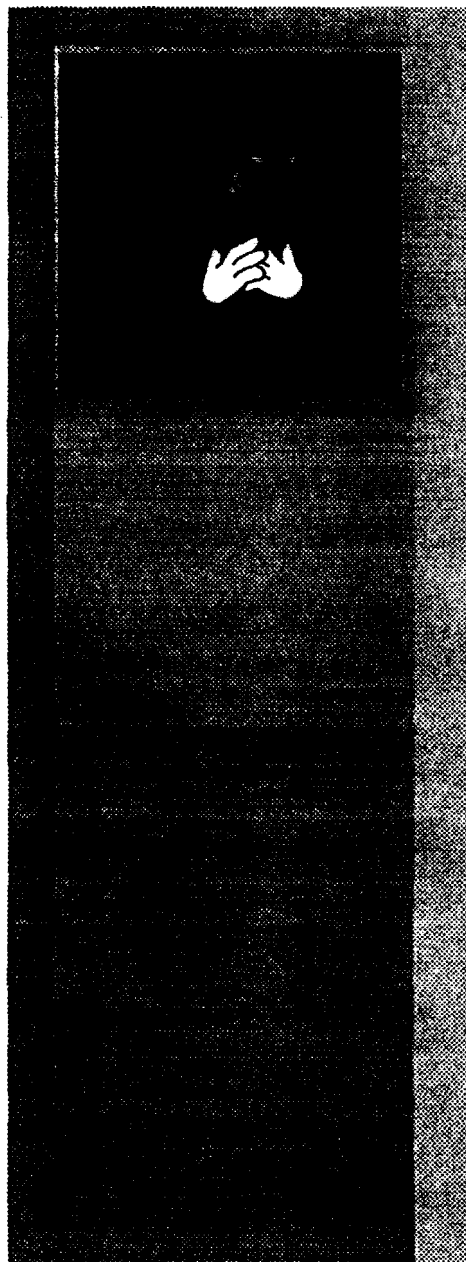
Please contact me if you have any questions concerning this filing.

*Marie Breslin*

## Attachments

cc: D. Abeyta  
T. David  
M. Ferrante  
M. Gordon  
K. Schroeder

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# **FRAUD**

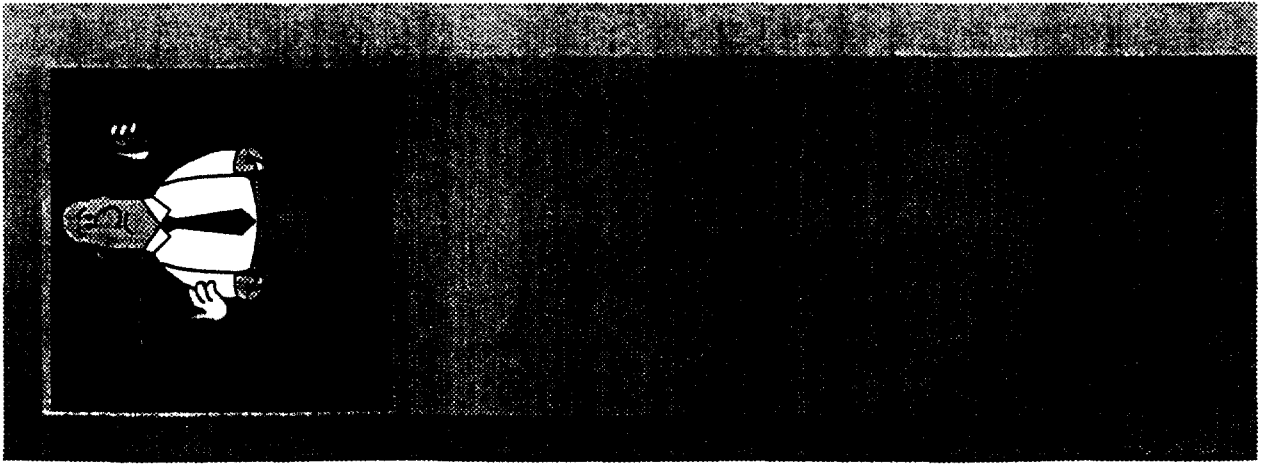
**"A Deception Deliberately Practiced  
in Order to Secure Unfair or  
Unlawful Gain"**

**Mary Chacantias - @Bell Atlantic**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

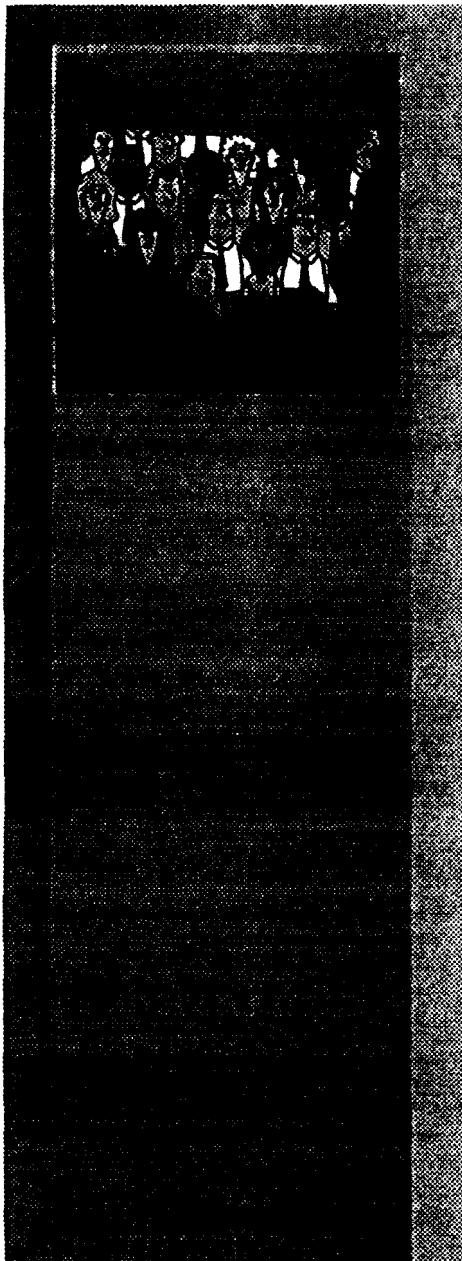
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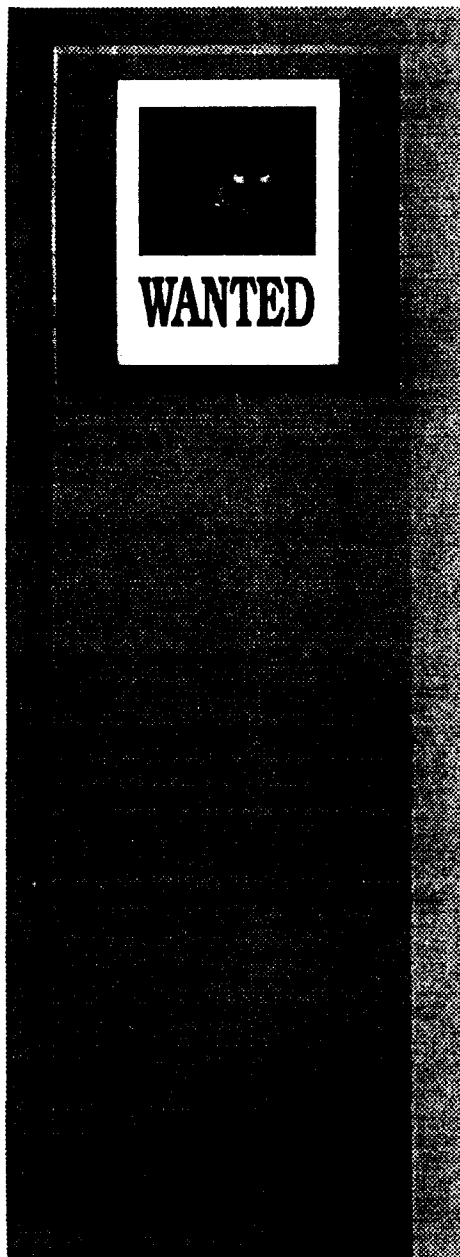
# Telecommunications Industry Fraud Losses

• 1987	↔	\$500 Million
• 1991	↔	\$ 2.2 Billion
• 1992	↔	\$ 2.5 Billion



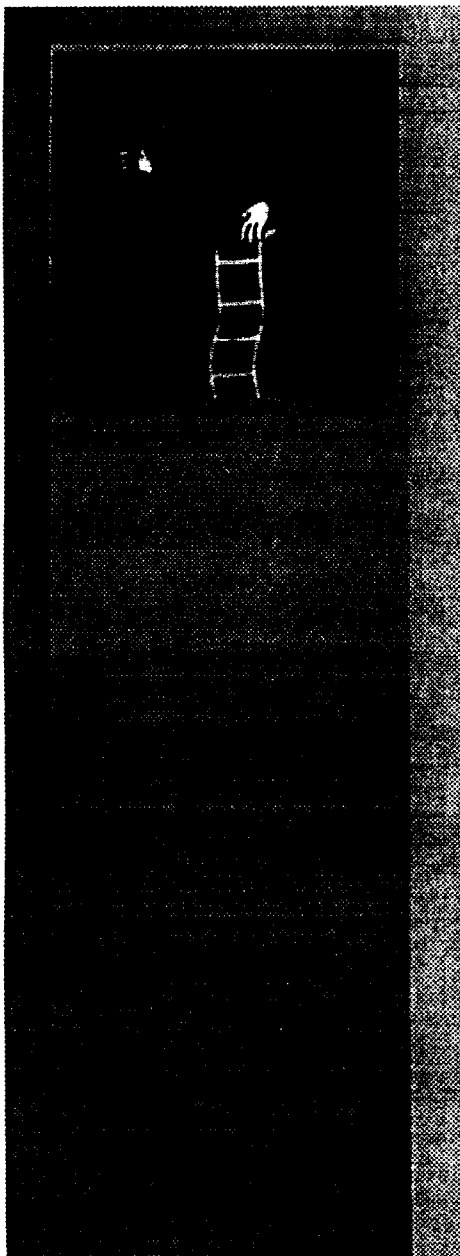
# **Toll Fraud Prevention Committee**

- **National in Scope**
- **Sponsored by the Exchange Carriers  
Standards Association**
- **Created in 1987, First Meeting Hosted by  
Bell Atlantic**
- **90 Industry Members**
  - **ECs, IXC's, Payphone Operators, Cellular  
Companies, Secret Service, FCC and Others**



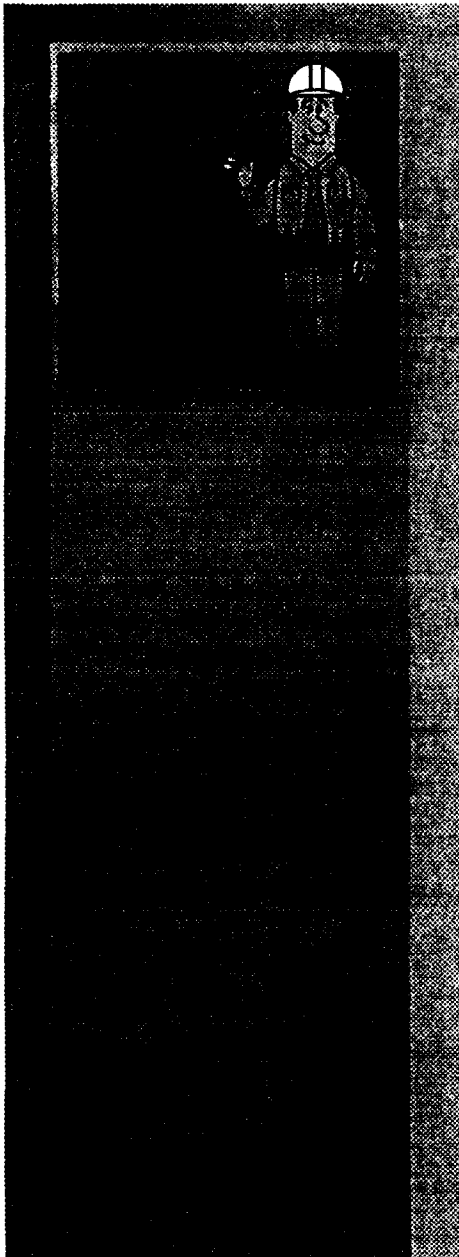
## **Types of Fraud**

- **CPE/PBXs**
- **Incoming International Collect Calls**
- **Subscription Fraud**
- **Calling Card Fraud**
- **Bill to Third Number**
- **Inmate Fraud**
- **Cellular or Wireless**
- **Payphone**
- **Clip On**
- **Voice Mail**



# Subscription Fraud

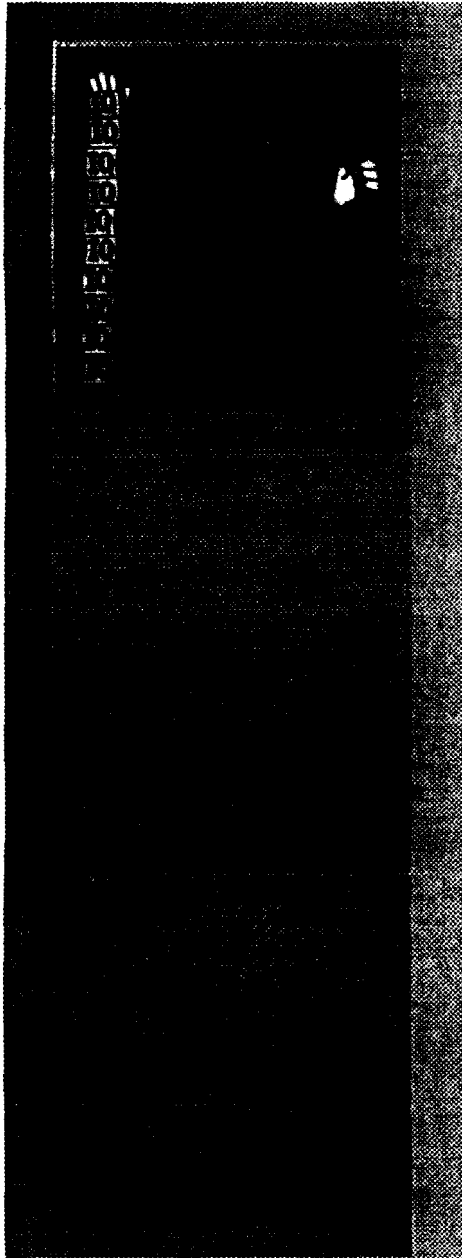
- **Is obtaining telephone service by intentionally or knowing using false or fictitious information to establish an account in a manner to avoid payment for the service**
- **Profile**
  - **One Room Apartment**
  - **No Furniture**
  - **Installation of Phones Near a Window**
  - **2 to 4 Telephone Lines**
  - **3-Way Calling, Call Waiting, Touch Tone**
  - **Designated Long Distance Carrier**
  - **Billing Date Requested**
  - **Average Account in Use for 5 - 11 Days**



# Subscription Fraud

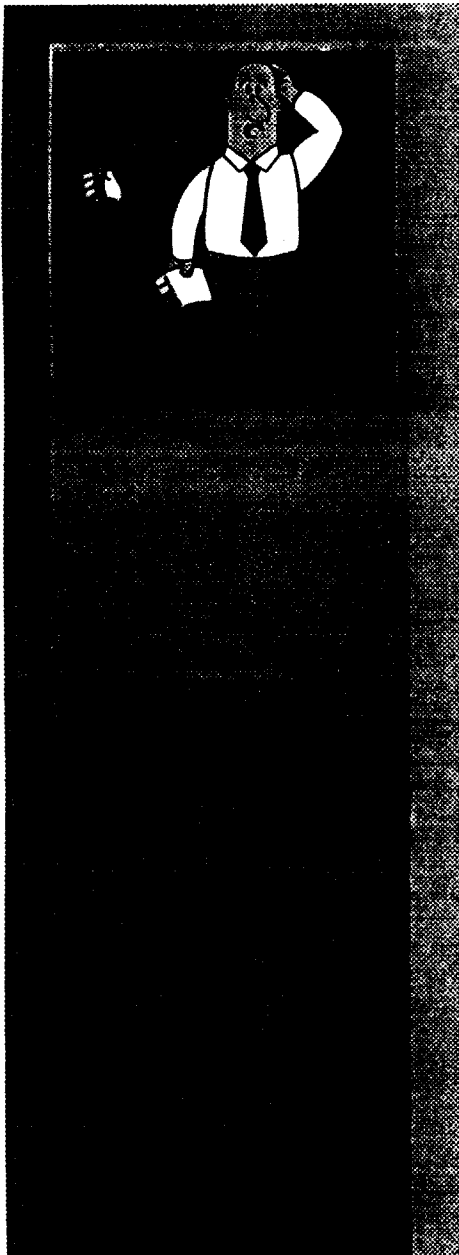
## Solutions

- **Up-Front Screening for All New Accounts**
  - 5 out of 5 Credit Verification
    - Name
    - Address
    - Date of Birth
    - Employment
    - SSN
  - Positive ID
- **Use of High Toll Notifiers** — *Comme*
- **Timely Action to Limit Abuse**
  - Disconnect Line
  - Security Investigation
- **Installers Awareness**
  - Suspicious Accounts Reported to Security
- **Arrest and Prosecution**



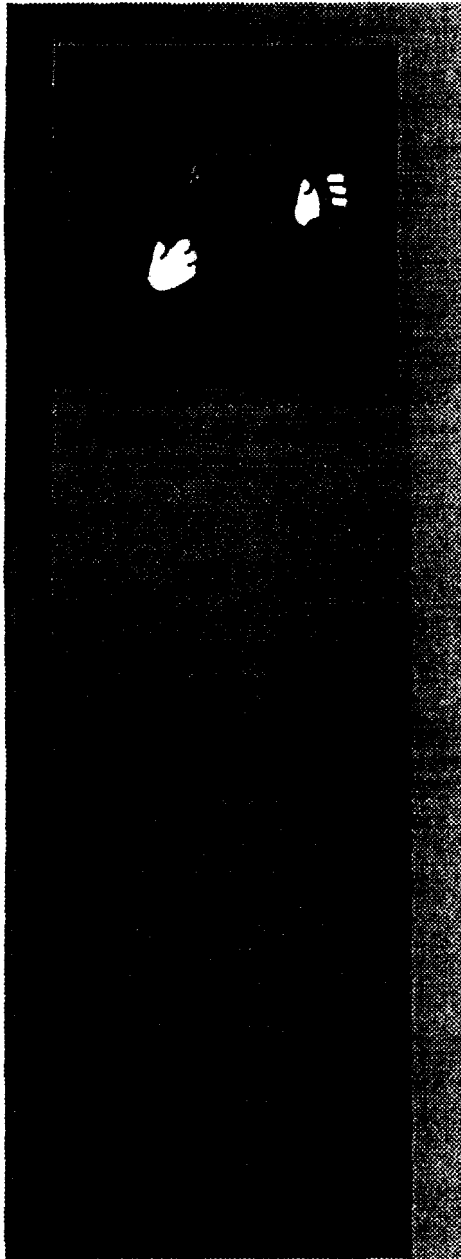
# Calling Card Fraud

- **Least Risk/Least Fraud**
- **ORGANIZED CRIME - BIG BUSINESS**
- **LIDB Validation**
- **Multiple Thresholds/Automatic Deactivate**
- **Call Duration Thresholds**
- **High Fraud Countries**
- **Card Detection Center**
  - **7 Days a Week; 24 Hours a Day**
  - **Threshold Triggered**
  - **Dedicated to Monitor Card Usage**



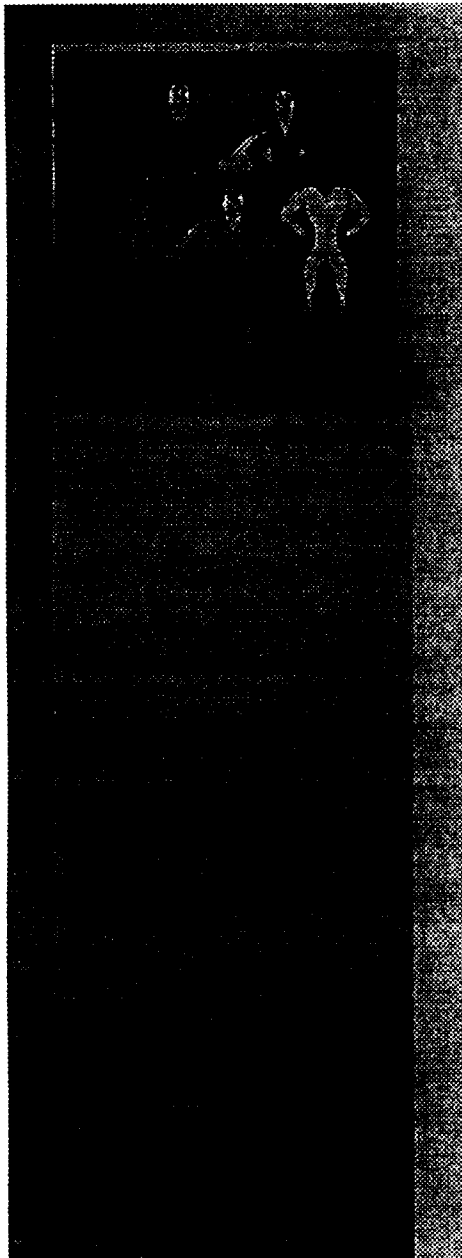
# **Bill To Third Number Fraud**

- **Migration from Calling Card Fraud to Third Number Fraud**
- **Weak Link in the Industry**
- **Preventions**
  - **Validate in LIDB**
  - **Verify with Billed Number Customer**
  - **Monitor Attempts**
  - **Toll Billing Exception**
  - **Up Front Credit Verification on New Accounts**
- **Detections**
  - **Threshold Reporting on Attempts**
  - **Prison Call Patterns**
  - **Reduction in Call Completion**
  - **High Calling from New Accounts**
- **Deterrents**
  - **Educate the Public - Raise Awareness Level (Radio Spots, etc.)**
  - **Law Enforcement - Arrests**



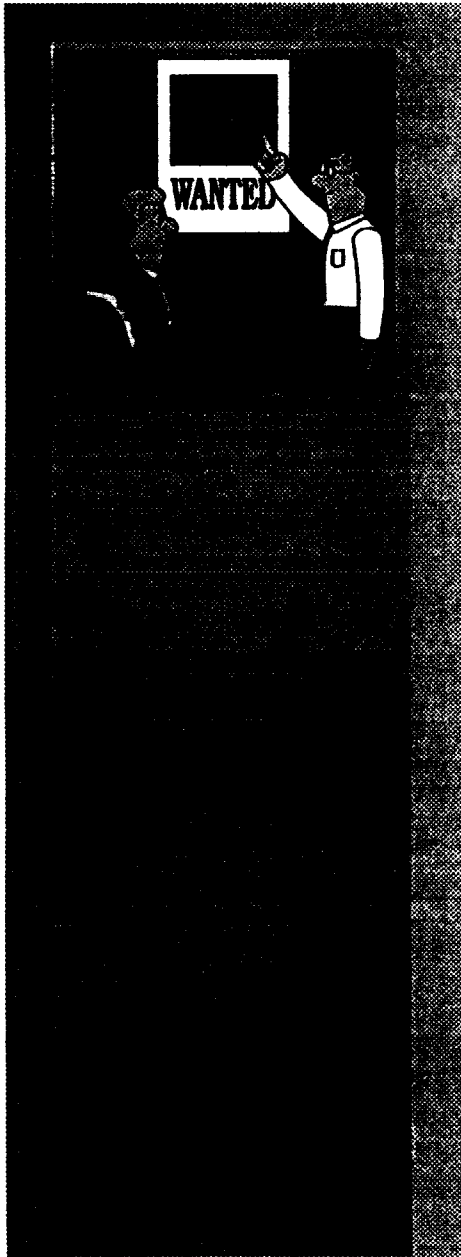
# **Inmate Fraud**

- **Captured Audience**
- **Time On Their Hands**
- **Collect Calls Only**
- **Outside Accomplices**
- **Telephone Is Link to the World**
- **Ingenious Ongoing Scams**



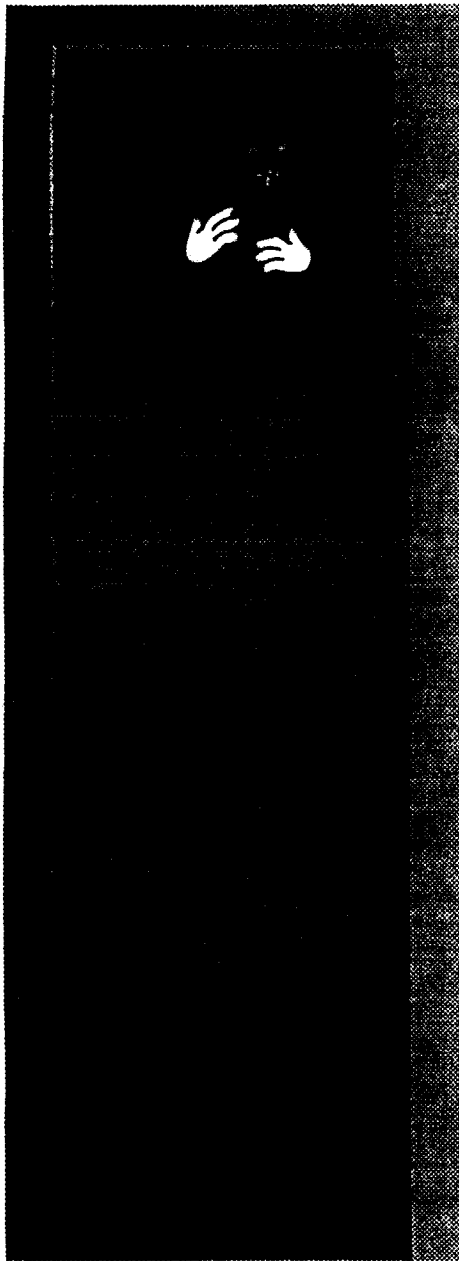
# **Toll Fraud Teams In Bell Atlantic**

- **Regional Telecommunications Fraud Committee**
- **Executive Level Steering Committee**
- **Fraud Prevention Center - Implementation Team**
- **Fraud Prevention Center - Planning Team**
- **Various Corrective Action Teams Using the Quality Principles:**
  - T** ogether
  - E** veryone
  - A** ccomplishes
  - M** ore
- **Bell Atlantic is Committed to Reducing It's Fraud and that of It's Customers**



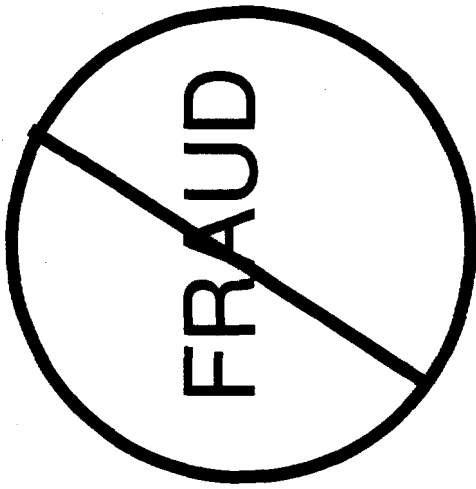
# **Bell Atlantic Opens Fraud Prevention Center**

- **Baltimore Area Location**
- **Staffed with 60 Investigators**
- **Operating 7 Days a Week, 24 Hours a Day, 365 Days a Year**
- **Presently Monitoring Calling Card Fraud, Third Number and Collect Call Fraud**
- **A State-of-the-Art Fraud System will be Added 4Q93**
- **One Stop Shopping Services Soon to Come**
- **Recent Successes**
  - **Magnified Third Number Impersonating Scam**
  - **Brought to Light Impersonators Obtaining Calling Card and PINs from Customers**
  - **Uncovered Third Number Subscription Fraud Cases**
  - **Greatly Reduced IQ Fraud**



## **Other Bell Atlantic Initiatives To Reduce Toll Fraud**

- **National Agreement for a Unique ANI for Private Payphones**
- **Quarterly Meetings with Interexchange Carrier/Bell Atlantic Security**
- **Development of a PBX Security Bulletin**
- **BA Changed It's Switches to Alleviate Second Dial Tone Fraud**
- **Calling Cards Issued without PINs**
- **Education Brochure**
- **Domestic Only Calling Card**



BELL ATLANTIC

FRAUD

PREVENTION CENTER

CURRENT AND FUTURE

January 1994

## **ALTERNATE BILLING SERVICES CORRECTIVE ACTION TEAM**

- **RECOMMENDED FRAUD PREVENTION CENTER  
DUE TO \$2.2 BILLION INDUSTRY LOSSES.**
- **BELL ATLANTIC FRAUD PREVENTION CENTER  
WAS APPROVED IN AUGUST 1992.**
- **THE BELL ATLANTIC FRAUD PREVENTION  
CENTER WAS ESTABLISHED JANUARY 1993.**

# **CURRENT ENVIRONMENT**

- **BELL ATLANTIC CALLING CARD INVESTIGATION**
- **INTER EXCHANGE CARRIER ALERTS**
- **POST BILLING INVESTIGATIONS**
- **LOST AND STOLEN 800 NUMBER**
- **DBAS II AND LIDB DATABASES**
- **40 SUN WORKSTATIONS**
- **ELECTRONIC CALL DISTRIBUTOR**
- **SECURE LOCATIONS**

# 1993 ACCOMPLISHMENTS

- **ACTION TAKEN ON BELL ATLANTIC'S CALLING CARD ALERTS WITHIN 2 HOURS.**
- **IXC ALERTS RESOLVED WITHIN 2 HOURS OR LESS.**
- **MAKE CALLING CARD PIN CHANGES FOR BELL ATLANTIC CUSTOMERS WITHIN MINUTES.**
- **REDUCED BELL ATLANTIC INTRALATA CALLING CARD FRAUD BY 65%.**

## **REMAINDER OF 1993 - 1ST QTR OF 1994**

### **■ SPRINT SUBSCRIPTION FRAUD**

### **■ SLEUTH FRAUD MANAGEMENT SYSTEM**

- IMPLEMENTATION 1ST QUARTER OF 1994**
- ENHANCED THRESHOLDING**
- HISTORY CAPABILITIES**
- PAPERLESS ENVIRONMENT**
- MONITOR BILLED TO 3RD AND COLLECT**

# ENHANCEMENTS FOR 1994

- **REDUCE ALL BELL ATLANTIC CALLING CARD FRAUD BY 50%.**
- **TAKE ACTION ON ALL LIDB ALERTS WITHIN 30 MINUTES.**
- **TAKE ACTION ON ALL IXC ALERTS WITHIN 2 HOURS OR LESS OF SYSTEM GENERATION.**
- **ELECTRONIC INTERFACE WITH IXCS.**



■ ONE POINT OF CONTACT FOR FRAUD

■ LONG DURATION CALLING

■ SUBSCRIPTION FRAUD

■ COIN

■ INMATE

■ COCOT